



**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST
FINANCIAL REPORT
December 31, 2016**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position.....	5
Statements of Activities	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Corporation for Jefferson's
Poplar Forest
Forest, Virginia

We have audited the accompanying financial statements of The Corporation for Jefferson's Poplar Forest (the "Corporation") (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Corporation for Jefferson's Poplar Forest as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia

June 16, 2017

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 582,899	\$ 577,196
Cash and cash equivalents, restricted for capital projects	581,331	489,852
Contributions receivable, net (Notes 2 and 14)	704,695	864,761
Inventory (Note 4)	76,301	79,115
Other assets	31,109	42,538
	<hr/>	<hr/>
Total current assets	1,976,335	2,053,462
LONG-TERM ASSETS		
Contributions receivable, long-term, net (Notes 2 and 14)	1,185,312	1,177,600
Property and equipment, net (Notes 5 and 7)	12,103,511	12,062,446
Investments (Notes 3 and 14)	1,486,791	1,456,749
Historic collections	240,372	237,913
	<hr/>	<hr/>
Total assets	<u>\$ 16,992,321</u>	<u>\$ 16,988,170</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 55,908	\$ 30,143
Line of credit (Note 6)	195,619	250,108
Current maturities of long-term debt (Note 7)	54,032	51,149
Accrued expenses	93,633	58,853
	<hr/>	<hr/>
Total current liabilities	399,192	390,253
LONG-TERM DEBT, net of current maturities and unamortized deferred financing costs (Note 7)		
	<hr/>	<hr/>
	1,390,686	1,443,923
	<hr/>	<hr/>
Total liabilities	1,789,878	1,834,176
NET ASSETS		
Unrestricted:		
Current operations	11,129,262	11,041,626
Board-designated (Note 9)	1,375,142	1,346,302
	<hr/>	<hr/>
Total unrestricted net assets	12,504,404	12,387,928
Temporarily restricted (Notes 8 and 9)	2,540,446	2,608,473
Permanently restricted (Notes 8 and 9)	157,593	157,593
	<hr/>	<hr/>
Total net assets	15,202,443	15,153,994
	<hr/>	<hr/>
	<u>\$ 16,992,321</u>	<u>\$ 16,988,170</u>

The Notes to Financial Statements are
an integral part of these statements.

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

STATEMENTS OF ACTIVITIES Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Gifts	\$ 815,823	\$ 845,106	\$ -	\$ 1,660,929	\$ 572,882	\$ 1,638,871	\$ -	\$ 2,211,753
Government grants	-	64,350	-	64,350	14,978	125,974	-	140,952
Visitation	478,781	-	-	478,781	474,881	-	-	474,881
Rent income (Note 10)	176,600	-	-	176,600	175,744	-	-	175,744
Investment income	21,987	788	-	22,775	16,045	(2,362)	-	13,683
Net unrealized and realized gains (losses) on investments	72,913	414	-	73,327	(49,142)	(2,073)	-	(51,215)
Miscellaneous	20,023	-	-	20,023	12,149	-	-	12,149
Loss on sale of property and equipment	-	-	-	-	(14,080)	-	-	(14,080)
Net assets released from restrictions	978,685	(978,685)	-	-	1,275,122	(1,275,122)	-	-
Total support and revenue	2,564,812	(68,027)	-	2,496,785	2,478,579	485,288	-	2,963,867
EXPENSES								
Program:								
Restoration	798,259	-	-	798,259	886,678	-	-	886,678
Visitation/interpretation	904,494	-	-	904,494	803,521	-	-	803,521
Supporting:								
Rental properties	130,927	-	-	130,927	120,795	-	-	120,795
Administrative	149,084	-	-	149,084	143,433	-	-	143,433
Public relations	111,822	-	-	111,822	104,258	-	-	104,258
Fundraising	353,750	-	-	353,750	349,185	-	-	349,185
Total expenses	2,448,336	-	-	2,448,336	2,407,870	-	-	2,407,870
CHANGE IN NET ASSETS	116,476	(68,027)	-	48,449	70,709	485,288	-	555,997
NET ASSETS								
Beginning	12,387,928	2,608,473	157,593	15,153,994	12,317,219	2,123,185	157,593	14,597,997
Ending	\$ 12,504,404	\$ 2,540,446	\$ 157,593	\$ 15,202,443	\$ 12,387,928	\$ 2,608,473	\$ 157,593	\$ 15,153,994

The Notes to Financial Statements are an integral part of these statements.

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

STATEMENTS OF CASH FLOWS Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 48,449	\$ 555,997
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash gifts	(2,460)	(23,800)
Depreciation	259,159	256,314
Amortization	947	947
Loss on disposal of property and equipment	-	14,080
Realized and unrealized gains on investments	(73,327)	51,215
Contributions restricted for capital projects and endowment	(334,218)	(208,028)
Decrease (increase) in:		
Cash and cash equivalents, restricted for capital projects	(91,479)	97,185
Contributions receivable	152,354	(567,911)
Inventory	2,814	4,254
Other assets	11,429	14,544
Increase (decrease) in:		
Accounts payable	25,765	(19,774)
Accrued expenses	34,780	(13,841)
Net cash provided by operating activities	<u>34,213</u>	<u>161,182</u>
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	43,285	52,580
Proceeds from sale of property and equipment	-	1,000
Purchase of property and equipment	(300,224)	(171,649)
Net cash used in investing activities	<u>(256,939)</u>	<u>(118,069)</u>
FINANCING ACTIVITIES		
Payments on line of credit, net	(54,489)	(57,435)
Principal payments on long-term debt	(51,300)	(48,772)
Contributions restricted for capital projects and endowment	334,218	208,028
Net cash provided by financing activities	<u>228,429</u>	<u>101,821</u>
Net increase in cash and cash equivalents	5,703	144,934
CASH AND CASH EQUIVALENTS		
Beginning	577,196	432,262
Ending	<u>\$ 582,899</u>	<u>\$ 577,196</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 88,290</u>	<u>\$ 92,144</u>
NONCASH INVESTING ACTIVITY		
Gifts of property, including collections	<u>\$ 2,460</u>	<u>\$ 23,800</u>

The Notes to Financial Statements are an integral part of these statements.

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies

The mission of The Corporation for Jefferson's Poplar Forest (the "Corporation") is to preserve Thomas Jefferson's personal retreat and to inspire the public to explore his enduring legacy and his belief in the boundless freedom of the human mind. The Corporation solicits individuals, corporations, and foundations for contributions and grants.

Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

Classification of net assets:

The Corporation's net assets have been grouped into the following three classes:

Unrestricted Net Assets – Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, recognizing unrealized and realized gains and losses, and receiving dividends and interest from investing in income-producing assets; less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets – Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire nor can be fulfilled or otherwise removed by the Corporation.

Historic collections:

Works of art, antiques, and historical treasures are recorded at cost, if purchased or at their fair value at the date of gift. These collections do not include archaeological or architectural artifacts.

Classification of gifts:

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS December 31, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Classification of gifts: (Continued)

The Corporation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions as unrestricted when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

The Corporation considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

The Corporation maintains deposits in financial institutions that at times exceed amounts covered by the U.S. Federal Deposit Insurance Corporation (FDIC). Management believes no significant risk exists with respect to these deposits.

Investments:

Investments are reported at fair value. Net unrealized and realized gains and losses are reflected in the statements of activities. Gifts of investments are recorded at their fair value as of the date of gift.

Inventory:

Inventory of the Museum Shop is stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment:

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts, less accumulated depreciation. Restoration costs are capitalized and depreciated while repairs and maintenance are charged to expense in the year incurred. The original costs of historic buildings are not depreciated. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Advertising costs:

The Corporation expenses advertising costs as incurred. Total advertising costs were approximately \$120,000 and \$138,000 in 2016 and 2015, respectively.

Contributed services:

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation as docents, laboratory assistants, and administrative assistants. The value of such services has not been determined and is not included in these financial statements.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The Corporation is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*, and is not a private foundation under Section 509(a)(2). The Corporation is subject to income taxes on profits generated from the rental of debt-financed real property. The Corporation has net operating loss carryforwards totaling approximately \$266,000, with expirations ranging from 2023 to 2035. A 100% valuation allowance has been recorded against this deferred tax asset because it is uncertain that the loss carryforwards will be realized.

Deferred financing costs:

Deferred financing costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the respective financing arrangement.

Fair value measurements:

Authoritative guidance for fair value measurements and disclosure establishes a single definition of fair value and requires certain disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value into one of the following three broad levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, inputs that are observable (such as credit and yield curves) in active markets, and quoted prices for identical or similar assets in markets that are not active.

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Net asset classification of endowment funds:

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Net asset classification of endowment funds: (Continued)

Interpretation of relevant law

The Corporation holds institutional funds which are subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Corporation's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets: a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund.
2. The purposes of the Corporation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Corporation.
7. The investment policies of the Corporation.

Return objectives and risk parameters

The Corporation has adopted investment and spending policies for the endowment fund that attempt to preserve and increase the real (inflation-adjusted) value of the fund and to provide a predictable and increasing distribution to carry out the purpose of the fund. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that outperform inflation by three percentage points each year. The Corporation expects its endowment funds, over time, to provide a total rate of return that exceeds the median of a generally accepted universe of similar funds.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based instruments to achieve its long-term return objectives within prudent risk constraints.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Net asset classification of endowment funds: (Continued)

Spending policy

The Corporation has a policy of appropriating annual distributions from the endowment fund equal to 4.50% of the average of the market value of the fund on June 30 in each of the three preceding years.

Reclassification:

In certain instances, amounts previously reported in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications had no effect on net assets or change in net assets.

Subsequent events:

Management has evaluated subsequent events through June 16, 2017, the date the financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable are due as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 716,995	\$ 884,301
One to five years	<u>1,244,918</u>	<u>1,236,542</u>
	1,961,913	2,120,843
Allowance for uncollectible contributions	(24,000)	(33,100)
Discount calculated at 2.00% for 2016 and 2015	<u>(47,906)</u>	<u>(45,382)</u>
	<u>\$ 1,890,007</u>	<u>\$ 2,042,361</u>
Contributions receivable, current portion	\$ 704,695	\$ 864,761
Contributions receivable, long-term	<u>1,185,312</u>	<u>1,177,600</u>
Total contributions receivable, net	<u>\$ 1,890,007</u>	<u>\$ 2,042,361</u>

The Corporation has received other promises to give which are not recorded as receivables until certain expenses are incurred or matching contributions are received. These conditional promises consist of five grants with original awards totaling \$1,302,744. The conditional portion of these grants remaining at December 31, 2016 totaled \$874,947.

As of December 31, 2016 and 2015, approximately 80% and 69% of contributions receivable were from three donors, respectively.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 3. Investments

Investments are all maintained internally as endowments and consist of the following:

	2016			2015		
	Cost	Fair Value	Unrealized Gains (Losses)	Cost	Fair Value	Unrealized Gains (Losses)
Equity securities	\$ 655,951	\$ 822,014	\$ 166,063	\$ 672,757	\$ 789,612	\$ 116,855
Government bonds	136,177	135,703	(474)	155,550	157,851	2,301
Corporate bonds	157,386	156,513	(873)	151,609	154,909	3,300
Mutual funds:						
Equity	157,676	147,466	(10,210)	158,692	139,158	(19,534)
Bonds	156,595	139,581	(17,014)	157,308	137,057	(20,251)
Short-term investments	85,514	85,514	-	78,162	78,162	-
	<u>\$ 1,349,299</u>	<u>\$ 1,486,791</u>	<u>\$ 137,492</u>	<u>\$ 1,374,078</u>	<u>\$ 1,456,749</u>	<u>\$ 82,671</u>

Investment fees of \$14,343 and \$14,630 were paid in 2016 and 2015, respectively.

Note 4. Inventory

Inventory consists of the following:

	2016	2015
Gift shop	\$ 33,321	\$ 30,610
Publications	42,980	48,505
	<u>\$ 76,301</u>	<u>\$ 79,115</u>

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 5. Property and Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land improvements	\$ 424,135	\$ 424,135
Buildings	9,176,078	9,002,888
Furniture, fixtures, and equipment	441,176	461,694
Vehicles	<u>21,052</u>	<u>21,052</u>
	10,062,441	9,909,769
Less accumulated depreciation	<u>(4,629,795)</u>	<u>(4,402,381)</u>
	5,432,646	5,507,388
Land	5,667,799	5,667,799
Historical buildings	800,000	800,000
Construction in progress	<u>203,066</u>	<u>87,259</u>
	<u><u>\$ 12,103,511</u></u>	<u><u>\$ 12,062,446</u></u>

Note 6. Line of Credit

The Corporation has two revolving bank lines of credit. The first provides for short-term borrowings up to \$500,000 at an interest rate of Prime, subject to a minimum rate of 4.00%, due on demand. This line, as well as the notes payable, is subject to a credit agreement such that the debt is secured by the Corporation's real estate, investments, and assignment of all rents of the Corporation's properties. Covenants include a requirement that the Corporation hold marketable securities of at least \$1,200,000, the Corporation must have a minimum tangible net worth of \$10 million, the outstanding balance must be less than 90% of the investment account, and other covenants. The line is subject to review at July 28, 2017. Interest expense on the line totaled \$12,359 and \$13,735 in 2016 and 2015, respectively. The second revolving line of credit is unsecured and provides for short-term borrowings up to \$250,000 at an interest rate of Prime, due on demand. The line is subject to review at September 14, 2017. No interest expense was incurred on the second line of credit in 2016 or 2015.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 7. Long-Term Debt

Long-term debt consists of the following:

	<u>Final Maturity</u>	<u>2016</u>	<u>2015</u>
Note payable, bank, issued in 2012, 5.00% for three years then variable, payable \$8,833 monthly including principal and interest, collateralized by certain real property, subject to various covenants described in Note 6.	2037	\$ 1,345,877	\$ 1,382,587
Note payable, bank, issued in 2013, 5.25% for five years then variable, payable \$1,777 monthly including principal and interest, collateralized by certain real property, subject to various covenants described in Note 6.	2023	<u>118,171</u>	<u>132,761</u>
		1,464,048	1,515,348
Less current maturities		(54,032)	(51,149)
Less unamortized deferred financing costs		<u>(19,330)</u>	<u>(20,276)</u>
		<u>\$ 1,390,686</u>	<u>\$ 1,443,923</u>

Aggregate principal payments are scheduled as follows:

2017	\$ 54,032
2018	56,877
2019	59,872
2020	62,838
2021	66,332
2022 and beyond	<u>1,164,097</u>
	<u>\$ 1,464,048</u>

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that liability, consistent with debt discounts. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Management has adopted ASU 2015-03 for the year ended December 31, 2016 and it has been applied retrospectively.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 8. Net Assets

Temporarily restricted net assets consist of the following:

	2016	2015
Historical preservation and restoration	\$ 1,099,937	\$ 1,160,723
Archaeological research and interpretation	37,822	22,348
Visitor services	6,523	3,177
Capital initiatives	638,562	474,950
Educational initiatives	22,742	46,479
Time restrictions	734,860	900,796
	<u>\$ 2,540,446</u>	<u>\$ 2,608,473</u>

During 2013 the Corporation initiated a capital campaign that remained active as of December 31, 2016. The purpose of the campaign includes a new parkway/entrance, education, marketing, and operating reserve, as well as supplementing the fundraising expenses. Contributions received through the capital campaign are classified as unrestricted or temporarily restricted based on the directions of individual donors.

Permanently restricted net assets consist of the following:

	2016	2015
Endowment investments	\$ 107,593	\$ 107,593
Antique tool collection held in perpetuity	50,000	50,000
	<u>\$ 157,593</u>	<u>\$ 157,593</u>

Note 9. Endowment

Endowment composition by net asset classification:

December 31, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 4,056	\$ 107,593	\$ 111,649
Board-designated	1,375,142	-	-	1,375,142
	<u>\$ 1,375,142</u>	<u>\$ 4,056</u>	<u>\$ 107,593</u>	<u>\$ 1,486,791</u>
December 31, 2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 2,854	\$ 107,593	\$ 110,447
Board-designated	1,346,302	-	-	1,346,302
	<u>\$ 1,346,302</u>	<u>\$ 2,854</u>	<u>\$ 107,593</u>	<u>\$ 1,456,749</u>

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 9. Endowment (Continued)

Changes in endowment composition by net asset classification:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 1,445,945	\$ 7,006	\$ 107,593	\$ 1,560,544
Investment returns:				
Investment income	11,095	462	-	11,557
Net losses (realized and unrealized)	<u>(49,764)</u>	<u>(2,073)</u>	<u>-</u>	<u>(51,837)</u>
Total investment return	<u>(38,669)</u>	<u>(1,611)</u>	<u>-</u>	<u>(40,280)</u>
Appropriation of endowment assets for expenditure	<u>(60,974)</u>	<u>(2,541)</u>	<u>-</u>	<u>(63,515)</u>
Endowment net assets, December 31, 2015	<u>1,346,302</u>	<u>2,854</u>	<u>107,593</u>	<u>1,456,749</u>
Investment returns:				
Investment income	18,905	788	-	19,693
Net gains (realized and unrealized)	<u>73,025</u>	<u>3,043</u>	<u>-</u>	<u>76,068</u>
Total investment return	<u>91,930</u>	<u>3,831</u>	<u>-</u>	<u>95,761</u>
Appropriation of endowment assets for expenditure	<u>(63,090)</u>	<u>(2,629)</u>	<u>-</u>	<u>(65,719)</u>
Endowment net assets, December 31, 2016	<u>\$ 1,375,142</u>	<u>\$ 4,056</u>	<u>\$ 107,593</u>	<u>\$ 1,486,791</u>

Note 10. Rental Property Revenue

As lessor, the Corporation leases a golf course which comprises a portion of its real property for \$3,500 per month. The lease terminates January 31, 2018. The Corporation recognized \$42,000 of revenue from the golf course lease in 2016 and 2015. Future minimum lease income is as follows:

2017	\$ 42,000
2018	<u>3,500</u>
	<u>\$ 45,500</u>

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 10. Rental Property Revenue (Continued)

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2016 and 2015 amounted to \$134,600 and \$133,744, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	2016	2015
Golf course – land and buildings, at cost	\$ 589,323	\$ 580,823
Other property, at cost	1,571,392	1,553,713
Less accumulated depreciation	(890,794)	(843,520)
Net investment in rental properties	<u>\$ 1,269,921</u>	<u>\$ 1,291,016</u>

Note 11. Purchase Options

The Corporation has options to purchase surrounding properties in an effort to preserve significant sites as part of a long-range plan. Outstanding options allow the Corporation to have first refusal on properties as they are offered for sale at predetermined prices or terms of negotiation.

Note 12. Employee Benefits

The Corporation has a 401(k) retirement plan, which covers substantially all full-time employees. Under the plan, participating employees may elect to reduce their compensation by an amount up to the maximum limitation in the *Internal Revenue Code*, with such amount being contributed to the plan for their benefit. Additionally, the Corporation may contribute an amount determined annually by its Board of Directors.

The Corporation's share of contributions to the plan totaled \$45,551 and \$79,409 for 2016 and 2015, respectively.

Note 13. Natural Expenses

Functional expenses are composed of the following natural expenses:

	2016	2015
Compensation and benefits	\$ 1,087,856	\$ 1,132,087
Utilities, maintenance, and depreciation	373,186	356,098
Professional fees	365,648	303,339
Advertising	120,130	138,420
Taxes and insurance	101,196	98,361
Interest	88,290	92,144
Postage, printing, and supplies	71,637	64,864
Cost of retail sales	79,960	78,250
Travel and entertainment	65,321	52,930
Rental	43,712	40,209
Other	51,400	51,168
Total operating expenses	<u>\$ 2,448,336</u>	<u>\$ 2,407,870</u>

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 14. Fair Value Measurements

The following is a summary of the inputs used to determine the fair value of financial assets measured on a recurring basis as of December 31, 2016 and 2015:

		2016			
		Fair Value	Level 1	Level 2	Level 3
Investments:					
Short-term investments	\$	85,514	\$ 85,514	\$ -	\$ -
Equity securities		822,014	822,014	-	-
Government bonds		135,703	135,703	-	-
Corporate bonds		156,513	-	156,513	-
Mutual funds		287,047	287,047	-	-
		<u>\$ 1,486,791</u>	<u>\$ 1,330,278</u>	<u>\$ 156,513</u>	<u>\$ -</u>
Contributions receivable, net	\$	<u>1,890,007</u>	<u>-</u>	<u>-</u>	<u>\$ 1,890,007</u>
		2015			
		Fair Value	Level 1	Level 2	Level 3
Investments:					
Short-term investments	\$	78,162	\$ 78,162	\$ -	\$ -
Equity securities		789,612	789,612	-	-
Government bonds		157,851	157,851	-	-
Corporate bonds		154,909	-	154,909	-
Mutual funds		276,215	276,215	-	-
		<u>\$ 1,456,749</u>	<u>\$ 1,301,840</u>	<u>\$ 154,909</u>	<u>\$ -</u>
Contributions receivable, net	\$	<u>2,042,361</u>	<u>-</u>	<u>-</u>	<u>\$ 2,042,361</u>

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 14. Fair Value Measurements (Continued)

The following is a reconciliation of changes in fair value of assets classified as Level 3 for the years ended December 31:

	Contributions Receivable
Balance, January 1, 2014	\$ 1,474,450
Additions	1,394,371
Collections	(866,934)
Changes in value	<u>40,474</u>
Balance, December 31, 2015	2,042,361
Additions	509,682
Collections	(666,292)
Changes in value	<u>4,256</u>
Balance, December 31, 2016	<u><u>\$ 1,890,007</u></u>

**Quantitative Information about Significant Unobservable Inputs
Used in Level 3 Fair Value Measurements**

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Contributions receivable – promises to give cash	\$ 1,890,007	Discounted cash flows	Estimated collectability timing of expected cash flows discount rate	2.50% allowance for doubtful contributions receivable 2.00% discount